OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE
EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON, D.C.
20508

01-117
FOR IMMEDIATE RELEASE
DECEMBER 21, 2001

CONTACT: RICHARD MILLS
(202) 395-3230

U.S. Wins WTO Case on Indian Auto Restrictions

WASHINGTON - United States Trade Representative Robert B. Zoellick today announced that a dispute settlement panel of the World Trade Organization has found that restrictions on U.S. companies manufacturing cars in India violate the WTO Agreement.

"The panel report confirms that WTO Members cannot impose local content requirements or trade balancing requirements on companies doing business in their countries. Not only do such requirements make it much harder for U.S. companies to operate abroad, they also take away export opportunities from our companies at home,"Ambassador Zoellick said. "It is a priority of this Administration that Americans be treated fairly in the global trading system. I am pleased that we have won this case and that the panel has rejected India's restrictions on their automotive sector."

India maintained regulations that require auto manufacturers in India to sign memoranda of understanding (MOU's) that impose local content and trade balancing obligations on the signatories. These regulations are designed to protect Indian domestic auto parts manufacturers from competition.

Local content rules require that a minimum percentage of parts be used in manufacturing cars in India. Trade balancing measures require manufacturers to export Indian origin goods to offset the value of goods they import to India. Both of these requirements apply to all companies in the auto sector (foreign and domestic), and severely restrict both foreign investors' and Indian domestic companies' ability to conduct business. Requiring companies to use local content reduces competitiveness and raises costs. By imposing a preference on local goods, these measures also make it harder for U.S. goods to compete in India.

If India does not appeal the decision, the WTO ruling may be considered for formal adoption in January, after which India will be required to bring its regulations and MOU's into compliance.

Background:

Under the local content provisions, MOU signatories were required to use no more than 50% imported content in their passenger car production by the end of the third MOU year, and no more than 30% imported content by the end of the fifth year. Under the trade balancing provisions, MOU signatories were required to "balance" their imports of auto kits and components into India with exports of cars or car parts of at least equal value of those imports.

The United States and the European Communities brought a WTO dispute to challenge these requirements in summer of 1999. The WTO dispute settlement panel report, which was given to the parties on December 13, 2001, agrees with the United States and the EC that these practices violate the WTO Agreement.

# # #